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**SECRET SERVICE LABORATORY DIRECTOR CHARGED WITH COMMITTING
PERJURY AT MARTHA STEWART-PETER BACANOVIC TRIAL**

DAVID N. KELLEY, the United States Attorney for the Southern District of New York, announced today that LARRY F. STEWART, the Laboratory Director at the United States Secret Service (the "Secret Service"), has been arrested on charges that he committed perjury earlier this year at the trial of Martha Stewart and Peter Bacanovic. The charges are contained in a criminal Complaint that was filed today in Manhattan federal court.

According to the Complaint, LARRY F. STEWART testified as an expert witness at Stewart and Bacanovic's trial concerning the forensic examination of inks contained on a worksheet (the "Worksheet") that listed various securities positions held by Martha Stewart and that contained various handwritten notations.

Notwithstanding STEWART's alleged perjury regarding his personal role in the examinations, the Government is aware of no basis for questioning the accuracy of the examination results that were obtained by other Secret Service laboratory personnel.

The Worksheet contained the notation "@60" next to the entry for ImClone Systems, Inc. ("ImClone"), and the Government alleged that Bacanovic had added that notation to corroborate his and Martha Stewart's claim that they had a pre-existing agreement to sell Martha Stewart's ImClone stock if the market price of ImClone fell to \$60 per share. At trial, LARRY F. STEWART offered his expert opinion that the ink used to make the "@60" notation was scientifically distinguishable from other ink contained on the document.

The Complaint alleges that, notwithstanding his testimony at trial that he had personally participated in each of the forensic examinations of the Worksheet, LARRY F. STEWART had no involvement whatsoever in the original examination of the Worksheet conducted in August 2002, and, in fact, did not even learn of the examination until after it was complete.

It is further alleged that, notwithstanding his testimony that he worked "side-by-side" with another examiner in conducting a supplemental examination of the Worksheet in January 2004, LARRY F. STEWART was consulted only briefly about that examination and performed none of the actual work on it. In addition, it is alleged that when questioned about a scientific textbook which certain of his subordinates had proposed to write, LARRY F. STEWART testified that he was familiar with the proposed book, when in fact he had no knowledge of it.

The Complaint alleges that various Secret Service employees have made statements contradicting LARRY F. STEWART's trial testimony, that documentary evidence provides no support for STEWART's claim to have participated in the forensic examinations, and that STEWART has made statements to Secret Service investigators that contradict his trial testimony.

The Complaint alleges two counts of perjury - one relating to LARRY F. STEWART's testimony on February 19, 2004, and one relating to LARRY F. STEWART's testimony on February 25, 2004. The two counts specify eight separate perjurious statements, including the following:

- * STEWART's claim that he "worked the case together" with another examiner during the August 2002 examination of the Worksheet;
- * STEWART's claim to have been "involved in the actual creation" of a laboratory plate in August 2002;
- * STEWART's claim that he "observed [and] participated" in the August 2002 examination;
- * STEWART's claims that he "performed an analysis," "performed a test," and "did a technique called chromatography" on the Worksheet in January 2004;
- * LARRY F. STEWART worked "side by side at the same time" with another examiner in conducting the supplemental

examination.

At the conclusion of the trial of Martha Stewart and Peter Bacanovic, the jury acquitted Bacanovic of the false document charge relating to his alleged addition of the "@60" notation to the Worksheet, and found not proven each of the false statement and perjury specifications related to the "@60" notation or the issue of whether Bacanovic and Martha Stewart had a pre-existing agreement to sell Martha Stewart's shares if the price of ImClone fell to \$60. The Government does not believe that the integrity or validity of any of Martha Stewart's or Peter Bacanovic's convictions is called into question by today's filing.

LARRY F. STEWART, 46, is a resident of Bethesda, Maryland.

LARRY F. STEWART has surrendered to the Secret Service and is expected to be presented later today in Manhattan federal court before United States Magistrate Judge JAMES C. FRANCIS, IV.

If convicted of the charges contained in the Complaint, LARRY F. STEWART faces maximum sentences on each of the perjury charges of 5 years in prison and maximum fines on each count of \$250,000.

Mr. KELLEY praised the United States Secret Service for its expeditious handling and investigation of the matter.

Assistant United States Attorneys STEVEN R. PEIKIN and DAVID

C. ESSEKS are in charge of the prosecution.

The charges contained in the Complaint are merely accusations, and the defendant is presumed innocent unless and until proven guilty.

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